

Iowa League of Cities



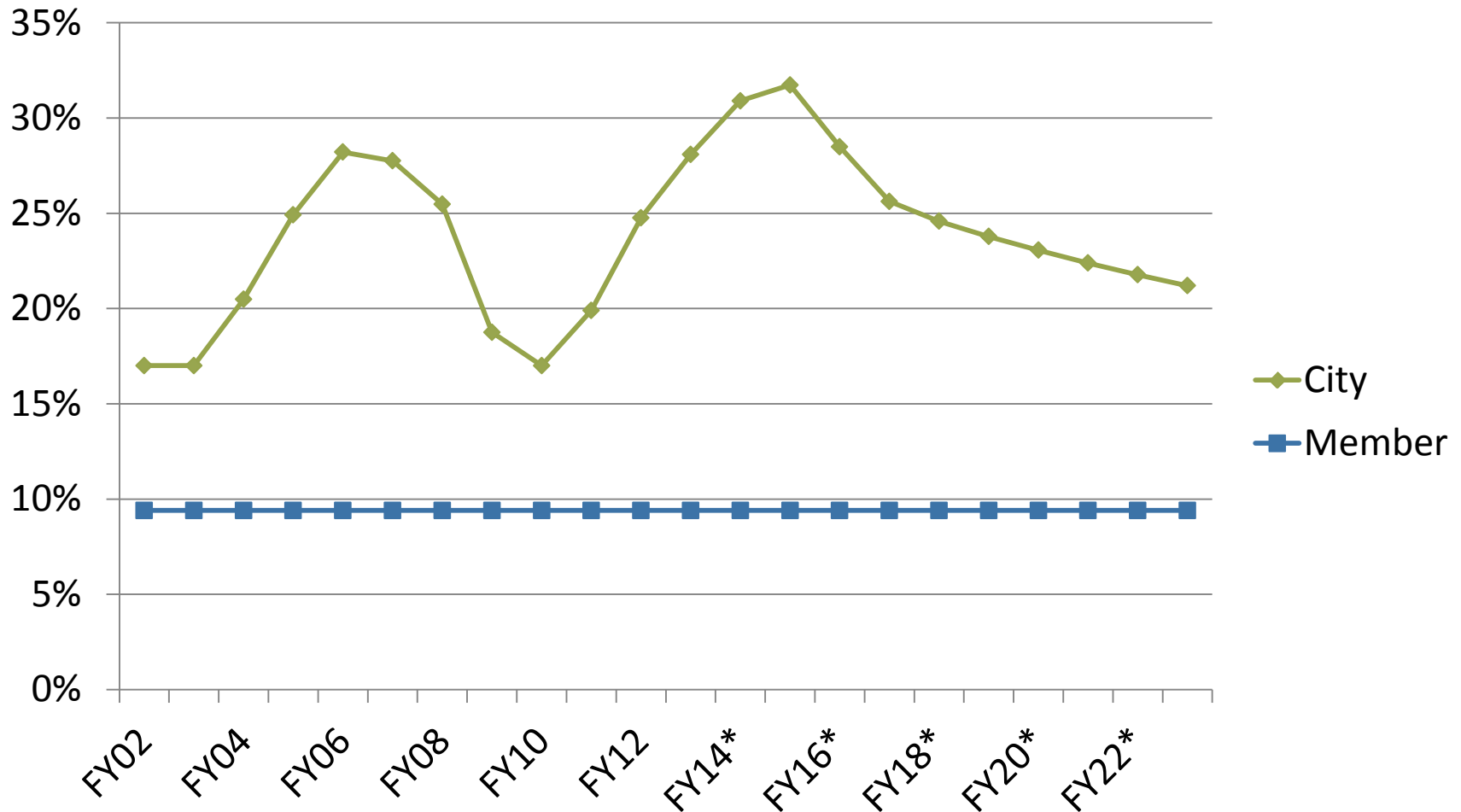
# *Municipal Fire and Police Retirement System of Iowa*

**Iowa League of Cities  
Public Retirement System Committee  
November 9, 2011**

## High City Contribution Rates

- Actuarial information:
  - City contribution rates are projected to increase to a high of 31.73% by FY 2015.
  - City contribution rates are not projected to drop below 20% through FY2023.
  - Source--the 2012 actuarial study by the MFPRSI system. The MFPRSI actuary assumes the aggregate actuarial method currently in use, a 7.5% return, and 4.5% increase in earnable compensation annually.

# MFPRSI Contribution Rates by Group FY2002-FY2022\*



\* Projected Rates (based on 2012 MFPRSI Actuarial Report)

# Contribution Rate Split Between Cities and Employees

## Year

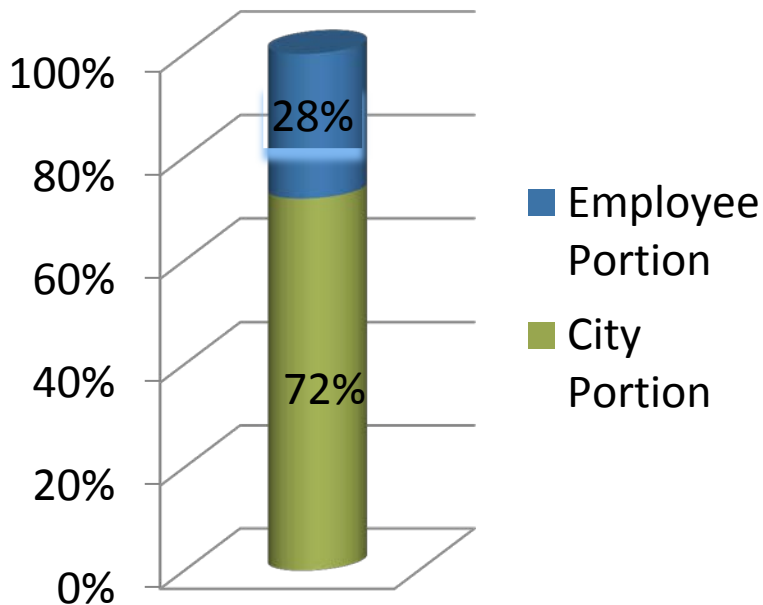
Fiscal Year 2012

### Employee Rate as a % of Payroll

**9.40%**

### City Rate as a % of Payroll

**24.76%**



## Year

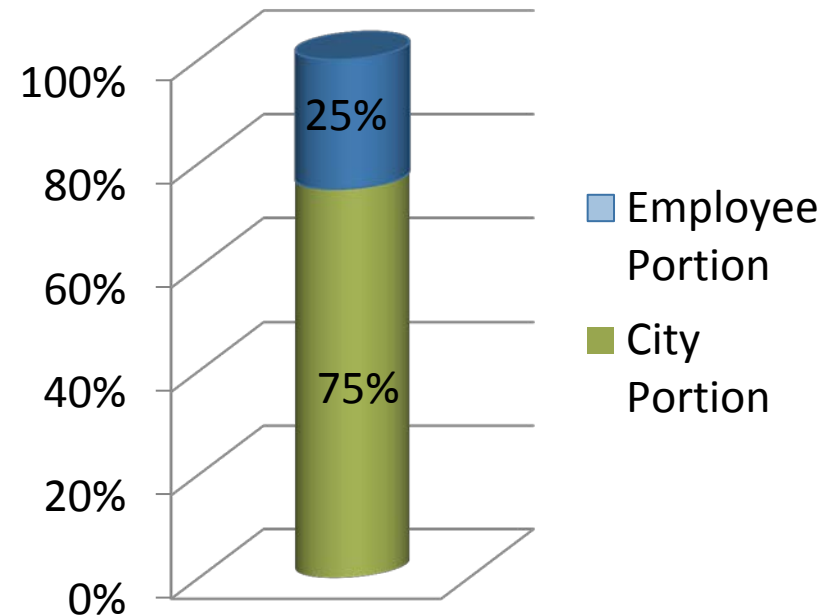
Fiscal Year 2013

### Employee Rate as a % of Payroll

**9.40%**

### City Rate as a % of Payroll

**28.08%**



# Contribution Rate Split Between Cities and Employees

## Year

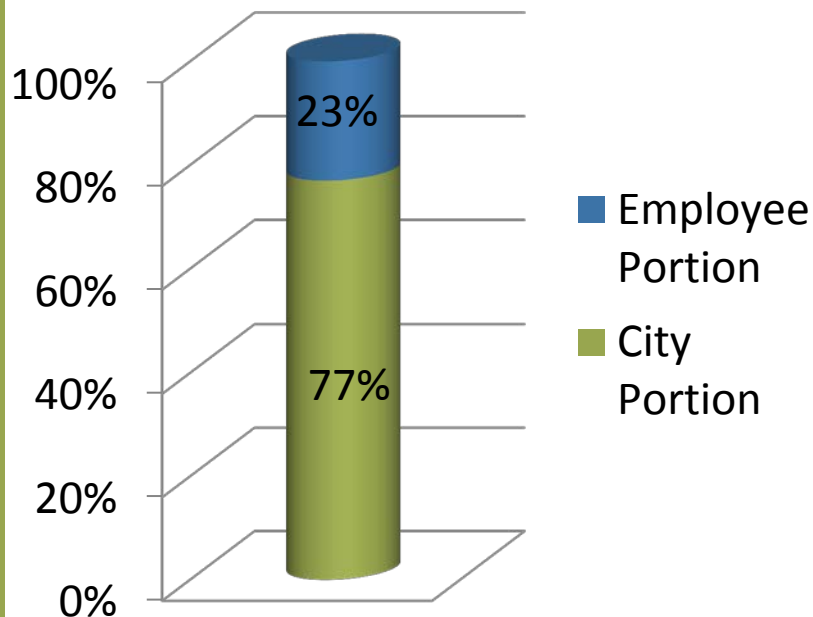
Fiscal Year 2014

## Employee Rate as a % of Payroll

**9.40%**

## City Rate as a % of Payroll

**30.90%**



## Year

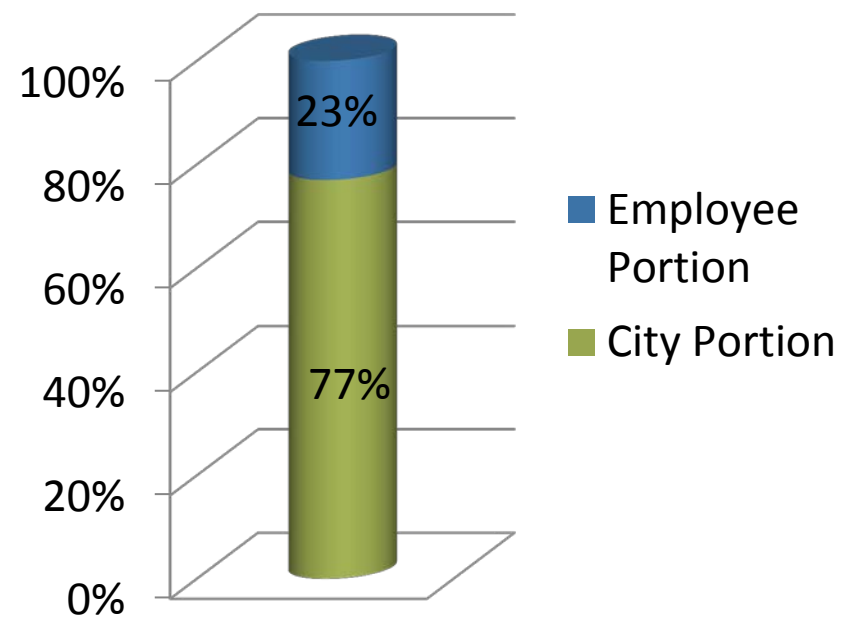
Fiscal Year 2015

## Employee Rate as a % of Payroll

**9.40%**

## City Rate as a % of Payroll

**31.73%**



# What Projected Contribution Rate Increases Mean in Dollars

	FY11	FY12	FY13	FY14	FY15
City Contribution as a Percentage of Payroll	19.90%	24.76%	28.08%	30.90%	31.73%
<b>Dollar Amount Paid by Cities</b>	<b>\$48,377,709</b>	<b>\$62,901,225</b>	<b>\$74,545,577</b>	<b>\$85,723,430</b>	<b>\$91,987,204</b>
Increase over last fiscal year	N/A	\$14,523,522	\$11,644,349	\$11,177,854	\$6,263,775

*\*This chart shows information reflected in the MFPRSI actuary's 2012 report. The MFPRSI system actuarial report data assumes a 7.5% return and a 4.5% annual increase in earnable compensation. MFPRSI data on earnable compensation is based on FY2011 system projections.*

- With the potential growth of city contribution rates, and assuming staffing levels remain constant, the dollar amount paid by cities is projected to grow to almost \$92 million by FY2015.
- If we compared FY2011 with FY2000, cities paid 80% more in total contributions (averaged).

## Importance of MFPRSI

- Cities recognize the importance of the system as a recruiting and retention tool for essential city employees.
- Cities support:
  - System stability and predictability
  - An equitable system sharing contributions reasonably between employer and employee

## Comparison MFPRSI and IPERS Protection Occupation Class

- IPERS' Protection Occupation Class includes airport firefighters and safety officers, conservation peace officers, correctional officers, DOT peace officers, fire prevention inspector peace officers, marshals, police officers (full- and part-time), and firefighters. (source: [www.ipers.org](http://www.ipers.org))
  - By comparison, MFPRSI covers full-time police and firefighters in 49 cities in Iowa.
- IPERS' Protection Occupation Class members partner with their employers (cities), sharing contributions on a 60% employer to 40% employee basis.
  - By comparison, under MFPRSI, member participants pay a set 9.4% of earnable compensation, and employers (cities) make up the remaining portion of required contributions set forth by the system actuary, with a floor at 17%.



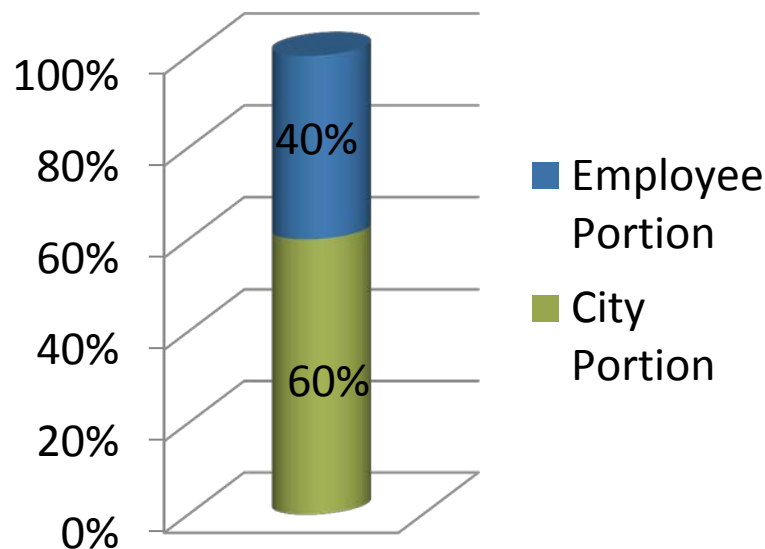
## Legislative Action

- Improve system stability and partnership:
  - **New employees** in the system would share in contributions at 60% (employer) to 40% (employee)
    - No changes for existing employees in the system
    - No change in benefit level for any system employee
    - No changes to the integrity (funding level) of the system
    - Promotes long-term sustainability through a more equitable partnership among members and employers
    - City “floor” at 17% contribution would need to be eliminated

# Proposed Contribution Rate Split Between Cities and Employees Under 60/40 (for new employees)

Fiscal Year	Employee Rate	Employer Rate
2012	13.66%	20.50%
2013	15.11%	22.67%
2014	16.12%	24.18%
2015	16.45%	24.68%

*\* Data Source: 2012 MFPRSI actuarial report that assumes aggregate method*



# Examples: Change in Contribution Distribution Under Shared 60% Employer, 40% Employee for New System Employees

## Police Officers

	Current Employee Contribution	60/40 Split Employee Contribution	Current Employer Contribution	60/40 Split Employer Contribution
Fort Madison	\$3,102	\$4,568	\$8,172	\$6,766

## Firefighters

	Current Employee Contribution	60/40 Split Employee Contribution	Current Employer Contribution	60/40 Split Employer Contribution
Fort Madison	\$2,872	\$4,174	\$7,566	\$6,264

*\* The City of Fort Madison was chosen for this example, because it represents the median in terms of dollars contributed by the employer. This is based on the city's estimated starting salary of \$33,000 for a police officer and \$30,600 for a firefighter.*